



BUDGET COMMITTEE



Judd Gregg, Ranking Member
<http://budget.senate.gov/republican>

Contact: Betsy Holahan (202)224-6011
Jeff Turcotte (202)224-2574

For Immediate Release

July 19, 2007

**Senator Gregg: Senate Finance Committee's Passage of
SCHIP Reauthorization with Budgetary Gimmick is Disappointing
*Budgetary Sleight-of-Hand Used to Avoid Pay-Go Violation***

Senator Judd Gregg, ranking member of the Senate Budget Committee, today expressed disappointment with the Senate Finance Committee's passage of the State Children's Health Insurance Program (SCHIP) reauthorization bill, which contains a blatant budgetary gimmick that disguises its true cost in order to avoid a Pay-Go violation.

"This legislation expands the SCHIP program and purposely uses a budget gimmick to mask a ten-year, \$40 billion Pay-Go violation - the largest this year," said Senator Gregg. "It's only been a few months since the majority put their Pay-Go policy in place, and lo and behold, they are already using gimmicks and loopholes to increase spending without paying for it."

The bill includes a gimmick to mask the size of future spending in the SCHIP program. Rather than maintain SCHIP spending in FY 2012 at levels consistent with the increases provided for the previous years, the bill drastically SCHIP program spending to \$3.5 billion. The bill then adds a one-time SCHIP payout of \$12.5 billion. By pretending to reduce the program level for SCHIP in FY 2012, the Finance Committee has reduced the amount carried forward in the CBO baseline from \$16 billion to \$3.5 billion per year, a figure that is lower than the \$5 billion per year the program currently costs [see table below].

The bill triples the size of the program by 2012, but only pays for the SCHIP spending for the first five years. After that, the program will be cut by nearly 70 percent, unless Congress steps in and adds billions to the deficit in order to continue it at the FY 2012 level. It will cost more than \$100 billion to reauthorize the program at that point, since no offsets are provided in the bill to cover the true cost of the expansion.

Without this budgetary gimmick, the \$16 billion (\$3.5 billion plus a one-time supplementary payment of \$12.5 billion) in FY 2012 would be assumed in the out-years, and the Congressional Budget Office would have estimated that the cost of the bill would be \$40 billion higher over ten years. Then, the Finance Committee would have had to find \$40 billion in additional offsets or otherwise commit the largest violation of Pay-Go since it was put in place in May.

"This bill is a perfect example of how Pay-Go is a deceptive marketing technique used by the big spenders in Congress," said Senator Gregg. "It may sound reasonable, but it actually encourages gimmicks and other tactics to mask the true cost of expanding big government spending."

THE SCHIP BILL CALLS FOR THE FOLLOWING FUNDING LEVELS:

2007	\$5.000 billion
2008	\$9.125 billion
2009	\$10.675 billion
20010	\$11.850 billion
2011	\$13.750 billion
2012	\$3.500 billion+ \$12.5 billion
2013	\$3.500 billion
2014	\$3.500 billion
2015	\$3.500 billion
2016	\$3.500 billion
2017	\$3.500 billion

